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UNCLAS HARARE 001324

SIPDIS

STATE FOR AF/S, AF/EX
USDOC FOR AMANDA HILLIGAS
TREASURY FOR OREN WYCHE-SHAW
PASS USTR FLORIZELLE LISER
STATE PASS USAID FOR MARJORIE COPSON

[E](#). O. 12958: N/A
TAGS: [ECON](#) [EAID](#) [EAGR](#) [EINV](#) [PGOV](#) [ZI](#)
SUBJECT: Parallel Market Over Z\$10,000:US\$

Ref: Harare 1319

A brief update on yesterday's report (ref): Bids topped \$53 million for the \$9.5 million on offer at Monday afternoon's Reserve Bank (RBZ) auction. The immense unsatisfied demand is migrating quickly to the parallel market. Yesterday, the RBZ shut down an exchange house in a Harare neighborhood where the rate ranged from Z\$10,000-11,000:US\$. A high-level RBZ official admitted to us that speculative demand for US dollars at those rates was strong, with the expectation that Z\$15,000:US\$ is just around the corner. The official (auction) rate nudged up to Z\$5400:US\$. (Comment: This is a significant crisis for the GOZ and RBZ. With an iron fist, they are attempting to fight market dynamics and enforce an arbitrary exchange rate. The overvalued rate will no doubt be center stage at the Confederation of Zimbabwe Industries' annual convention later this week.)

Sullivan